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INFORMATION FROM  
FOREIGN DOCUMENTS OR RADIO BROADCASTS

REPORT

CD NO.

50X1-HUM

COUNTRY China

DATE OF  
INFORMATION 1950

SUBJECT Economic - Finance

DATE DIST. 19 Jul 1950

HOW  
PUBLISHED Daily newspapersWHERE  
PUBLISHED Mukden; New York; Hong Kong

NO. OF PAGES 3

DATE  
PUBLISHED 2 Apr - 3 Jul 1950SUPPLEMENT TO  
REPORT NO.

LANGUAGE Chinese

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DISCUSSES PRICE STABILIZATION, CURRENCY CHANGES

ANALYZES NORTHEAST PRICE SITUATION -- Mukden Tung-pei Jih-pao, 2 Apr 50

The Planning Department of the Northeast Bank has collected data concerning prices in the Northeast during the first 3 months of 1950. Its analysis of price trends may be summarized as follows:

In the Northeast during 1949, prices advanced 80 percent, or at the rate of over 5 percent a month. During January, February, and March 1950, prices on the whole have been steady and comparatively uniform in the different sections of the territory. There was an increase of 6.8 percent in the wholesale price index, based on 58 kinds of commodities, as of the end of March 1950 compared with the end of December 1949. There was an increase of only 5.6 percent, during the same period, in the cost-of-living index, based on retail prices. This is an advance of less than 2 percent a month, and indicates approach toward a stage of comparative stability. The tendency for prices to rise due to heavy purchasing over the New Year season was overcome in 1950 through the large supplies made ready for the demand by the state-owned trading agencies.

Two dissimilar trends are revealed by a detailed study of available data. First, there is a slow but steady decrease in the price of daily necessities. Foodstuffs took the lead in coming down. This was because the rural people brought in their grain to sell to get money for New Year buying and to purchase agricultural implements for use in the spring farm work. Cotton cloth was the next to come down. This was due in part to cheaper yarn brought in from places south of the Great Wall. As to fuels, coal and coke held steady, but wood, charcoal, and kerosene dropped considerably, so that on the whole there was a moderate reduction. This kind of data indicates that the purchasing power of our currency is slowly increasing and living conditions are becoming stabilized. Such conditions are essential for and conducive to the more rapid development of industry in the Northeast.

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Second, there has been a slow rise in the prices of materials and equipment for construction projects and productive enterprises. The greatest rise occurred in the prices of aluminum, copper, tin, zinc, high-speed and special tool steel, soda ash, cement, and rubber. Here the increase averaged about 30 percent over prices at the end of 1949. Next to these, mineral lubricating oil, bricks, hemp sacks, paper, matches, cigarettes, soap, calfskin, hog bristles, and granulated sugar prices rose an average of 20 percent. Pig iron, sheet iron, caustic soda, ammonium sulfate, lumber, nails and resin, rose about 10 percent. Rise in the prices of building materials is inevitable, since, because of the rapid construction and development, the supply is not equal to the demand. However, the rise is not a runaway one; it is gradual and firm. It proves that the industrial development of the Northeast has entered a new stage. As the supply catches up to the demand, it is to be expected that the rising price trend will be reversed.

There are four reasons for this relative stability of prices in the Northeast.

1. The system of state-owned industries and trade agencies, by regulating production and avoiding competitive buying, serves to restrain violent fluctuation in prices.
2. There is little floating capital available for speculation which would tend to upset the natural price levels. This condition is largely due to the government's tax program and its sale of bonds.
3. Gradual progress in quantity and quality of production is being realized, together with reduction in costs through greater efficiency.
4. There is a gradual decrease in the difference between wholesale and retail prices, and between the prices in different provinces and localities.

It is expected that prices will remain stable.

#### NORTHEAST CURRENCY REPLACES KWANTUNG -- New York Hua-ch'iao Jih-pao, 3 Jul 50

Mukden, 19 June (Hsin-hua) -- To facilitate the expansion of Northeast economy, promote the flow of goods between the Port Arthur-Dairen area and the Northeast and other regions, the Northeast People's government has been granted approval by the central government to replace the Kwantung currency issued by the Port Arthur-Dairen administrative office with Northeast currency. The rate of exchange will be at 270 Northeast yuan for one Kwantung yuan.

The changeover of currency is to be completed between 16 and 23 June 1950.

As of 16 June 1950, the Lu-Ta Kwantung Bank will be changed to the Lu-Ta Branch of the Northeast Bank.

For several years, the value of the Northeast currency was unstable. This affected adversely the progress of economic reconstruction in the Port Arthur-Dairen area, and it was decided that the area should issue its own currency. However since the complete liberation of the Northeast, its currency has stabilized and there is no further need for the Port Arthur-Dairen area's special currency.

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CONTEMPLATES ISSUING NEW CURRENCY -- Hong Kong Hsing-tao Jih-pao, 10 Jun 50

Hong Kong -- According to the authoritative source in Peiping, the Central government is seriously considering issuing new currency in place of the present yuan (jen-min-piao), seeking to enter the Soviet ruble monetary bloc. Although this information is not confirmed here, it supports the report of the French News Agency, quoting the DPA News Agency in Germany, which stated that the USSR is planning to urge all nations in eastern Europe, and later those in western Europe, to agree with her that the ruble will be the only currency acceptable for all economic and financial activities in eastern Europe.

With regard to the contemplated new Chinese Communist currency, the information is not clear, but an observer here pointed out that at this time when the USSR is strengthening her financial structure, and while Chinese Communists are controlled by a person like Liu Shao-ch'i, it would not be impossible to make the change. According to available information, there is strong indication that the new currency will be based on gold, and comparable in value to the Soviet ruble. It is also said that the Peiping government is planning to set the value of gold at 35 US dollars an ounce, and will take steps to collect all hoarded gold from the people.

REDUCES OVERSEAS REMITTANCE CHARGES -- Hong Kong Ta Kung Pao, 25 Jun 50

Service charges on overseas remittances in general have been reduced, as compared with 1949, aside from the Canton area where there is no charge and where a commission of 0.25 percent is provided by the Bank of China to the bank handling the remittance. The following table lists service charges on overseas remittances in the large metropolitan areas:

<u>City</u>	<u>Former Charge</u> (%)	<u>Present Charge</u> (%)
Shanghai	1.00	0.50
Tientsin	no charge	no charge
Canton	0.50	no charge
Swatow	[no listing]	0.10
Chungking	0.70	0.50
Amoy	0.25	0.25
Hankow	0.50	0.50

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